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20 August 1951

CIA No. 49309

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39

DAILY DIGEST

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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State Department review completed

DIA and PACOM review(s) completed.

ARMY review(s) completed.

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SECTION 1 (SOVIET)

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1. USSR. Peiping sets 3 September for celebration of victory over Japan: On 15 August Izvestia published a dispatch from Peiping reporting that Chou En-lai has set 3 September as the date to celebrate the victory over Japan. [REDACTED]

Comment: Peiping's announced reason for changing the date from 15 Aug is that Japan actually signed the surrender agreement on 2 September 1945, and therefore, 3 September is the correct date for celebrating V-J Day. However, the new date almost coincides with the opening of the Japanese Peace Treaty Conference and provides an excellent opportunity for a major Communist demonstration against the Treaty.

On 17 August the Kremlin, in an announcement telling the Russian people for the first time of Soviet participation in the Conference, stated its intentions of presenting proposals at San Francisco.

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2. EASTERN EUROPE. TRIESTE. Measures contemplated to control Yugoslav refugee traffic: US Ambassador Allen in Belgrade suggests a revision of the Trieste refugee entry permit system in order to strengthen the US position on this problem vis-a-vis the Yugoslav Government and to bring about some reduction in the flow of refugees. Under the proposed arrangement, the British Embassy in Belgrade and the British Consul in Zagreb would authorize Trieste permits without reference to the Allied Military Government. A.M.G., however, is skeptical about Yugoslav cooperation. Allen notes that the Yugoslav Government is forcing unwanted refugees, including the sick and aged into Trieste. At the same time, Yugoslav police controls are preventing the departure of thousands of genuine Yugoslav political dissidents. [REDACTED]

Comment: Trieste authorities have reported a large increase in refugee traffic from Yugoslavia during the first two weeks of August which has been taxing Trieste facilities.

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3. YUGOSLAVIA. Government alarmed at increasing border provocations: Yugoslav Assistant Foreign Minister Barisic has informed US Embassy Belgrade that daily frontier incidents are of growing concern to the Yugoslav Government. Incidents on the Bulgarian border are the worst, followed by the Hungarian, Rumanian and Albanian. Barisic stated that the purpose of these attacks is to justify Cominform propaganda that disorders prevail within Yugoslavia, a theme which has appeared in the Soviet press. With obvious purpose, the Yugoslav official referred to the Soviet claim that Yugoslavia was to receive only small arms from the US since Washington

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was unwilling to provide heavy equipment to Yugoslavia, as a country of doubtful stability and defense capabilities. He did not believe, however, that the Satellite military situation had substantially changed. []

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Comment: Early in August, Yugoslav notes to Hungary and Rumania protesting alleged violations on its borders disclosed that the number of incidents had greatly increased since May. Although Admiral Manola,

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[] stated on 24 July that border incidents had remained on a small scale, there has been recent evidence that the Cominform countries have made bolder and more aggressive incursions into Yugoslavia. In a related development, the Hungarian Government on 13 August sent a vehement note to Yugoslavia demanding that "the organized and systematic frontier provocations cease without delay." Thus far there is no firm evidence that the Satellites are planning any immediate military action against Yugoslavia.

4. Tito presses for US aid: In an interview with US Senator Blair Moody at Brioni on 12 August, Marshal Tito emphasized the following points to substantiate his request for immediate US aid:

a) Although the USSR is not yet ready for war, it will not wait until the West reaches its peak of preparedness in 1954. The critical period will be 1952. The US should build up armament production centers near danger points rather than in the US and other areas "far removed from the likely scene of conflict."

b) A primary Soviet aim is to bring about the internal collapse of the Yugoslav regime. A secondary aim is to maintain tension between Yugoslavia and the Satellites. Satellite-provoked border incidents to accomplish these objectives have increased greatly during the past two months. These incidents could "get out of control" at any time and develop into war. Prompt US military aid to Yugoslavia would reduce this possibility.

c) Titoism will increase in the Satellites in proportion to the deterioration in the Satellite standard of living as compared with Yugoslavia. Any weakening of Yugoslavia's standard of living will adversely affect the progress of Satellite Titoism. []

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Comment: Tito stressed those points which he feels will be effective in securing speedy aid for Yugoslavia without committing the Yugoslavs to any definite action.

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SECTION 2 (EASTERN)

1. GREECE. Greek Army morale appears to be declining: The Greek High Military Council apparently has retired five and transferred four Major-Generals. US General Frederick, who attended a recent Council meeting on personnel matters, received the impression that promotions were considered on merit, and that some of the retired and transferred officers had indulged in political activities on behalf of Marshal Papagos. He reports that there was considerable sentiment at the meeting for denying voting privileges to military personnel in future (not the coming) elections.

According to confidential reports reaching the US Military Attache in Athens, "all younger Greek officers" are awaiting the outcome of the elections. They believe that if Papagos becomes Prime Minister, "all will be all right;" many are considering resigning if the present tension continues. [REDACTED]

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Comment: Marshal Papagos, who is a candidate in the 9 September elections, has insisted repeatedly that political pressures were being used in the army subsequent to his resignation. Although General Frederick's report is somewhat reassuring, the pre-election removal and reassignment of top officers, even for cause, will intensify the friction between Papagos and the King. Any restrictions on the voting privileges of military personnel would lower morale and increase the dissatisfactions which seem to be appearing.

2. IRAN. Soviet planes which combated locusts leave Iran: All Soviet air and ground equipment and personnel which has been engaged in anti-locust activity in north-eastern Iran has returned to the USSR. [REDACTED]

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Comment: There was some suspicion over the willingness of the USSR to cooperate in combating the locusts; apparently the units made available attended strictly to their task and have returned home without incident.

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4. INDONESIA. Government continues firm against Chinese Communist protests: The Indonesian Government continues to stand firm against CPR protestations over the former's refusal of entry to 16 Chinese Communist diplomatic and consular officials at Djakarta. A Peiping news despatch of 11 August quotes the Chinese Ministry of Foreign Affairs as considering Indonesia's conduct "an unprecedented violation of diplomatic practice and virtually a serious manifestation of unfriendliness." The Indonesian Government replied through its Consul General in Hong Kong on 13 August that the affair of the 16 officials represented the third occasion on which the Chinese Communist Government had "confronted the Indonesian Government with a fait accompli in violation of usages of diplomatic courtesy."

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Comment: A similar exchange took place late in July. A spokesman of the Indonesian Foreign Office explained that the Chinese Communist Government did not give adequate notice of the arrival of the 16 persons nor did it supply their names and official designations until just before their ship docked at Djakarta. At that time, Indonesia's attitude on the matter appeared to be based more upon what it considered a diplomatic insult than upon its concern over Chinese Communist subversive activities. However, a general resurgence of lawlessness early in August, which the government believes to have been Communist-inspired, may have caused Indonesian officials to reconsider evidence available to them that the Chinese Embassy in Djakarta is working with the Indonesian Communist Party.

5. INDONESIA. Sukarno urges abrogation of Netherlands-Indonesian Union: President Sukarno's 17 August independence day speech urged abrogation of the Netherlands-

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Indonesian Union—"the sooner the better." Sukarno asked how Indonesia could remain within the Union as a friendly partner with the Dutch when the latter, in administering West New Guinea, were actually occupying part of Indonesia's national territory.

Referring to domestic affairs, Sukarno warned against the "creation" of cabinet crises and promised drastic measures to put an end to lawlessness.

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Comment: Sukarno's strong recommendation for abrogation of the Netherlands-Indonesian Union merely reflects the current political temper. Such action has been almost inevitable since December 1950, when a specially convened conference failed to solve the two nations' differences over West New Guinea. An Indonesian mission recently departed for The Hague to conduct preliminary discussions on the substitution of a bilateral treaty for the Union statute and other agreements negotiated in 1949.

Sukarno's references to the Cabinet and prevailing lawlessness highlight Indonesia's two most urgent problems—the lack of a forceful, effective government and the existence of widespread insecurity.

6. INDOCHINA. Communist threat to Indochina seen unabated: Despite the present lull in hostilities in Indochina, the US Legation in Saigon warns that a prudent estimate of the situation would indicate that the Viet Minh, with the close cooperation of Communist China, is preparing for a major effort. In support of this view, the legation cites several current reports indicating increased Chinese Communist interest in Viet Minh fortunes, as well as the Peiping propaganda charge that 35,000 Chinese Nationalist internees in Indochina have been equipped and trained and are now poised on the border for an invasion of South China. (S

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Comment: The rainy season in the Tonkin delta area, which will continue through September, accounts for the present lull in hostilities. Despite heavy losses suffered by the Viet Minh earlier this year and a few ambiguous Communist references to a negotiated peace in Indochina, available evidence supports the US Legation's estimate.

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[REDACTED]

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8. Guerrilla activity is declining in Kwangtung and Kwangsi: [REDACTED]

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[REDACTED] anti-Communist guerrilla activity in these provinces is diminishing. In Kwangtung, the guerrillas are said to be "lying low," as action brings prompt and severe retaliation. In Kwangsi, the fact that main railways and highways are almost free of guerrilla interference indicates that guerrilla strength is declining. The most competent observers feel that the guerrillas are fighting a losing battle, and that, unless they receive effective outside aid, they will be reduced by the end of 1951 to small scattered pockets which may be able to survive but will have no significant effect on the regime. [REDACTED]

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Comment: This picture is probably accurate. Kwangtung and Kwangsi have been the two most difficult provinces for the Communists to pacify, but the regime is clearly winning. US Army G-2, which follows the guerrilla situation closely, in March 1951 estimated that 75,000 guerrillas were still active in Kwangtung and 57,000 in Kwangsi; in July, G-2 reestimated guerrilla strength in those provinces at 40,000 and 45,000.

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[REDACTED]

10. Dairen situation quiet: A Russian refugee [REDACTED] states that he did not see any unusual military or naval activity in Dairen, although the military airfield was in "constant use." [REDACTED] Soviet civil administration of Dairen was abolished on 1 January, and the Chinese now "ostensibly" govern the city. In addition, all Soviet or

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Sino-Soviet enterprises in Dairen, except the Tschurin store, were turned over to the Chinese at the same time. [REDACTED]

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[REDACTED]

The USSR, in returning formal control of Dairen and its enterprises to the Chinese, is fulfilling the terms of the Sino-Soviet treaty of February 1950; however, the Chinese administration of Dairen is probably a reliable instrument of the Soviets.

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13. KOREA. New Chinese Communist army group may be enroute to Korea: According to the US Far Eastern Command, recent reports suggest "strongly" the movement of the Chinese Communist 15th Army Group, 4th Field Army, from south China to Korea. While it is not clear whether this composite force, made up from other 4th Field Army units, will be used as an integral unit or for replacement purposes, it is noteworthy that the 140th Division, Chinese Communist 47th Army, 15th Army Group, is now accepted in Korea as a combat unit.

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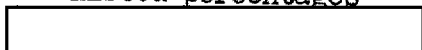
Comment: While as yet an unconfirmed movement, the introduction into Korea of an additional 105,000 fresh Chinese Communist troops would add considerably to the Communist offensive potential. However, the problem of supplying these new divisions would further complicate the Communists' logistical position.

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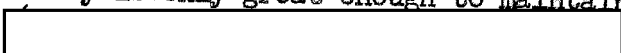


15. JAPAN. Japanese opinion poll indicates satisfaction with treaty: A public opinion poll conducted by the newspaper Yomiuri showed the following percentages on the peace treaty question: greatly satisfied, 8; generally satisfied, 35; slightly dissatisfied, 10; greatly dissatisfied, 2; undecided, 45.

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On the question of Japanese rearmament, the same poll listed percentages as follows: in favor, 51; opposed, 32; undecided, 17. 

Comment: This is the first reported poll on the draft treaty of peace, a treaty which most Japanese appear to have accepted as "fair" but containing some unfortunate territorial clauses. Japanese rearmament is gaining increasing favor as the realities of the international situation become more apparent.

16. Study concludes that Japan can maintain eight divisions of ground troops: A joint study by the Economic Stabilization Board, the Finance Ministry and the Foreign Office concerning Japan's rearmament capacity concluded that the economic strength of Japan today is only great enough to maintain eight divisions of ground troops. 

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Comment: Government officials consistently deny that an expansion of the National Police Reserve is contemplated, but its conversion into an army is believed to be under study. The Japanese are gradually becoming more favorable toward rearmament.

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17. Yoshida says Japan has no choice in Chinese treaty problem: Prime Minister Yoshida stated in a Diet interpellation on 18 August that the Allied Powers will decide which of the two Chinese Governments is to sign a peace treaty with Japan. Yoshida added that Japan has no voice whatsoever in this matter. [REDACTED]

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Comment: Yoshida's motive for making this statement, which is not in accord with the facts, is not clear. He may be preparing the way for an indefinite postponement of the question. He also may be concerned about the probable resentment of both Chinese regimes over Japan's prerogative to choose between them.

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SECTION 3 (WESTERN)

1. GERMANY. Communist propaganda countered by farmers' community houses:
US officials in Germany warn that though Communist propaganda among the West German farmers has not made great headway, there is no room for complacency with respect to its potential appeal. Most of the West German farmers have low incomes and their education is poor; in a recent poll they expressed a slight preference for dictatorship and monarchy.

The Communists attempt to exploit this fertile field by intense and continuous propaganda over the Soviet-controlled radio. These efforts are combatted by various German and occupation agencies. Early this year a Berlin branch of one of the leading farmers' groups was opened in Berlin principally to fortify the east German farmers in their resistance to the Communist programs.

Of particular propaganda value have been a number of special houses for German farm women, located mostly in Bavaria near the Soviet Zone and Czech borders. These houses, intended to acquaint the farmers' wives with modern devices to relieve drudgery, are equipped with community laundries, baths and showers, and sewing rooms, and in some cases, with sausage grinders, cider presses, canning machines, and bakeries. They have been enthusiastically received, and word of them has filtered across through the Iron Curtain to adjacent areas. HICOG has approved a German request for counterpart funds to build 100 more of these houses, which will also be located along the border. [REDACTED]

2. FRANCE. French refuse to support US on withdrawal of tariff concessions to Czechoslovakia: The French Foreign Office has informed the US Embassy in Paris that France is unable to support the US in a move to withdraw tariff concessions from Czechoslovakia. They feel that, both on legal and tactical grounds, the US position is ill-advised, and the maximum they could do would be to abstain from voting if the matter is acted upon at the sixth session on the General Agreement on Tariffs and Trade (GATT). [REDACTED]

Comment: The same fear of losing Czech credits motivates French reluctance to follow the US in this matter as in the case of the US proposal to cancel permission for Czech airlines to overfly Germany. The French are unwilling to sacrifice economic advantages for political retaliation, especially in view of the need to utilize every possible import source in order to support the Government's anti-inflation import program.

3. French doubtful of ability to contain inflation and maintain re-
armament program: Because of their rapidly deteriorating dollar reserve

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25X1A position, the French have become very worried about going ahead with the expanded import policy on which former Finance Minister Petsche based his anti-inflation program. Nevertheless, the government will probably use available reserves to continue an expanded level of imports and to maintain the present level of military effort until new US-French talks can be held to reassess US aid for French rearmament. [REDACTED] 25X1A

Comment: The French dollar trade balance, although better than a year ago, is still quite favorable to the US. Moreover, the French position will probably be aggravated in 1952 due to an expected drop in current abnormally high steel and sugar exports. The French expectation of financing an expanded import program was based on a misunderstanding of the extent of US commitments in the October 1950 talks on US aid. Both ECA and Paris Embassy officials have frequently stressed the urgency of additional support if France is to carry out its military commitments.

4. FRENCH MOROCCO. Guillaume to succeed Juin as Resident General: According to acting Resident General De Blesson, Gen. Augustin Guillaume will succeed Gen. Juin as Resident General about 1 October. The Sultan has informed the US Consulate in Rabat that he has learned Guillaume will remain only a few months, a prediction considered wishful thinking by US Consul McBride. [REDACTED] 25X1A

Comment: The replacement of Juin should lessen somewhat the existing tension between the Residency and the nationalists, even though Guillaume probably will continue to follow the policy outlined by Juin. One of the outstanding French general officers, Guillaume is a specialist in Berber affairs, and has served in various capacities in Morocco almost continuously from 1918 to 1936 and again in 1940. More recently he was French military attache to Moscow (1946-48), Commanding General of French occupation troops in Germany (1948-50), and presently is substituting for Gen. Juin in SHAPE.

5. AUSTRIA. Comments on the failure of the Communist youth to transit Austria: Despite ten days of harassing by Western occupation authorities of Communist youth en route through Austria to the World Youth Congress, no serious reactions have so far been forthcoming from the Soviet Element, although the British Government has expressed concern over reports of the maltreatment of British youth by US military police.

Beginning 4 August, 2000 French and British youths were intercepted by American MPs at the French-American demarcation line and returned to Innsbruck. Subsequent attempts by the Berlin pilgrims to avoid apprehension were foiled by US and British authorities. The operation was carried out with a minimum of manhandling of recalcitrant Communists; however, several youths were injured resisting the US authorities.

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Most of the stranded delegates reconciled themselves to a Tyrolean vacation despite local Communist efforts to encourage a more belligerent attitude. Some 800 French representatives were returned to France via the French zone of Germany; the remaining delegates have not been impeded in their attempts to return home. Communist claims that many of the delegates ultimately reached Berlin by devious routes are discounted by the US Legation.

Officially, the US authorities considered the youth delegates improperly documented for transit of the demarcation lines, according to regulations the Soviets themselves have insisted upon. An offer by the Soviet High Commissioner to waive grey-pass requirements was rejected by Commissioner Donnelly on the grounds that, while the US favors abolition of such travel controls in general, it will not accommodate special groups.

Pleas from the Austrian Communist Party for Austrian intervention were also rejected. The Austrians observed that, while a regrettable consequence of continued Allied controls, the dispute is purely an occupation matter.

Loud complaints from the Communist press of US brutality, seizure of railroads, etc., resulted only in abortive attempts to interfere with US traffic on roads leading out of Vienna. Although the Communists continue to predict strong Soviet reactions, none appears likely.

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7. ITALY. Soviet purchase of south Italian crops could enhance Italian Communist electoral prospects: A recent purchase by the USSR of 1,000 tons of sweet shelled almonds from Sicily and south Italy as well as unspecified amounts of carob seed and manna has been reported by the US Consulate Palermo, which infers the products may be intended for the cultivation of bacilli. US Embassy Rome is disturbed not only by the possibility of these items being used in bacteriological warfare but also by possible political

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implications of recent Soviet interest in the purchase of typical south Italian crops not traditionally exported to the USSR. Rumors have been reported from Palermo that the entire Sicilian lemon crop is being sought by the USSR which has already become the second largest export market for the fruit. The Embassy stresses that proposed US restrictions on imports of Italian almonds would greatly enhance Communist propaganda prospects in south Italy and Sicily, where local elections may be held this fall.

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Comment: Shipment of 300 tons of almonds from Catania, Sicily, to Odessa was previously reported from the US Consulate Palermo. This shipment was reportedly arranged by an employee of the Soviet Embassy Rome and destined for the production of liquid paste to be used to cultivate bacilli for bacteriological warfare. Communist exploitations of such a US embargo on local products would be particularly effective because the standard of living is extremely low in south Italy and Sicily.

8. SPAIN. Spain's new security chief to tighten police controls: The appointment of General Rafael Hierro Martinez as Director General of Security points to an over-all stepping up of anti-subversive measures in Spain.

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Opposition plots have since been rumored against the lives of General Franco, Labor Minister Giron and even US Ambassador Griffis.

Hierro Martinez' rapid promotion to general was a reward for having rid the province of La Coruna of a serious guerrilla menace. In March, when the Barcelona demonstrations touched off a wave of strikes that posed the gravest threat to the regime since 1936 and it became evident that the rank-and-file of the security forces sympathized with the aims of the strikers, Franco immediately sent Hierro Martinez to Barcelona as Inspector General of Armed and Traffic Police with orders to investigate the crisis. In giving the key security post to an officer of proven loyalty with an impressive record as trouble-shooter in situations affecting internal security, General Franco appears to have taken a further step toward a general tightening of the regime's administrative efficiency which began with the cabinet reshuffle of 19 July.

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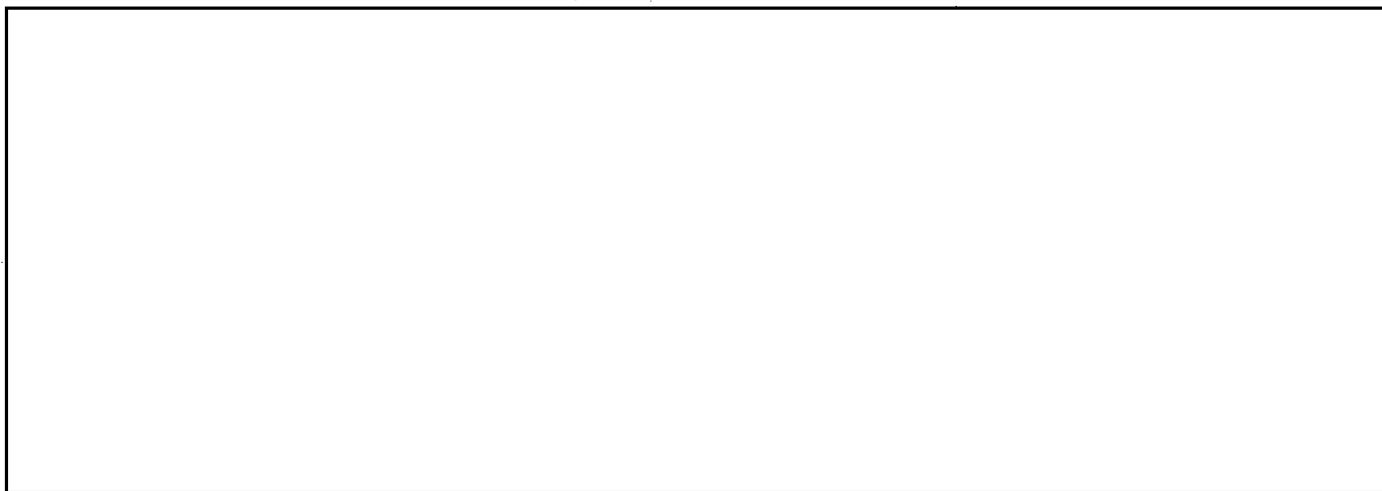
10. ARGENTINA. Government to move into new field: The Argentine Government intends to enter wholesale food distribution, according to reports from wholesalers. Since Señora de Perón's "charity foundation" plans to enlarge its Buenos Aires retail food chain from 60 to 200 units, the government may purchase private wholesale companies. US Embassy Buenos Aires comments that this move would have immediate propaganda value during the election campaign as a price control measure. [REDACTED]

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Comment: In addition to imposing rigid controls over the economy, the Perón administration has nationalized various services, such as transportation and banking, and is an important producer in some industries. Labor unions, schools, newspapers, and radio are controlled by the government. The Church-State relationship is one of mutual toleration.

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12. ECUADOR-PERU. Meeting of guarantor nations may be held: An official of the Brazilian Foreign Office has confirmed to the US Ambassador in Rio the fact that the current Ecuador-Peru border dispute has been referred to the Brazilian Foreign Office by both countries. He added that despite incomplete information regarding the facts of the situation, the Foreign Minister considers the situation sufficiently serious to call a meeting of the representatives of the guarantor powers, and will do so after individual consultation with the other guarantor nations. [REDACTED]

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Comment: Under the terms of the 1942 Rio Protocol of Peace, Friendship and Boundaries, which ended a short war between Ecuador and Peru, the Protocol and execution thereof were put under the guaranty of the US, Argentina, Brazil and Chile. It was stipulated that any disagreements arising in the execution of the Protocol were to be settled by the parties concerned, with the assistance of the guarantor nations. The last period of tension in Ecuador-Peruvian relations (October-November 1950) was relieved when representatives of the guarantors, meeting in Rio, agreed to set up an impartial military commission to inspect the frontier and investigate allegations of troop concentrations which had been made by both countries.

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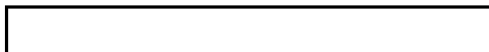
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SECTION 2 (EASTERN)

1. SYRIA. Syrian cooperation with West appears to depend on Israeli compliance with 18 May UN resolution: Current Syrian cooperation with the West will depend largely on gaining Israeli compliance with the UN Security Council resolution of 18 May concerning the Syrian-Israeli boundary dispute. Pointing to recent Syrian Parliamentary sympathy for Egypt in its difficulties with Britain, the US Minister in Damascus asserts that the Syrians would back Egypt's citation of Israeli non-compliance as a precedent for its intransigence on the Suez Canal restrictions. He is also concerned lest the new Syrian Cabinet, which he believes can be counted on to cooperate with the US, should shift its present Western orientation because of a feeling that the UN had glossed over Israel's failure to comply with its instructions. 25X1
- [REDACTED]

Comment: Israeli non-compliance with certain provisions of the 18 May resolution has worried the US, the UK and France, who are currently attempting to persuade Egypt to lift its restrictions on Suez Canal traffic. Although there is some sentiment for an immediate Security Council debate on the Israeli-Syrian dispute, no action is expected soon. General Riley, Chief of Staff of the UN Truce Supervision Organization, plans to file an interim report on the situation and then return to the area to carry out further negotiations with the two parties.

2. IRAQ. Iraq interested in mutual defense pact with Saudi Arabia: Iraqi Prime Nuri Said wants to propose to King Ibn Saud of Saudi Arabia a mutual defense agreement for the Persian Gulf. He has also hinted that, given certain circumstances, Iraq might like to be invited to join US-Saudi Arabian defense arrangements. According to Nuri, his son has talked to Ibn Saud about this matter and has cabled that his mission has been successful.

The US Ambassador in Baghdad believes that Nuri's approach to Ibn Saud is an attempt to allay the latter's presumed resistance to a union of Iraq and Jordan. The ambassador also thinks that Nuri, who distrusts Egypt's anti-Hashemite policies, may be trying to disrupt the Egyptian-Saudi Arabian rapprochement. He states that the British would be amenable to any efforts to dilute Arab solidarity under Egyptian aegis. 25X1

[REDACTED]

Comment: Leaders in all the Arab states appear interested in finding ways to capitalize on the political fluidity that has followed the death of King Abdullah. Iraq has a definite desire to incorporate Jordan; Syria's position is less clear, but as a result of Saudi stimulation, it appears to be interested in maintaining the status quo.

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3. INDOCHINA. King of Cambodia says French retain colonial aims: In an unprecedentedly vehement criticism of French policy in Cambodia, King Norodom expressed the fear that French officials in Indochina, as well as the French Government itself, have not given up the idea of restoring Cambodia to its former colonial status. The King, claiming to speak for Vietnam and Cambodia, said that the French Union was acceptable "in principle," but that neither he nor his people were willing to fight to bring back French colonialism. He was particularly bitter regarding French insistence that Cambodia sign a judiciary agreement under which Chinese residents of Cambodia would be tried by mixed French-Cambodian courts.

The King conceded that his difficulties with the French were not insurmountable and that the war against Communism was the major issue. [REDACTED]

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Comment: The judicial question is an irritant of long standing in French-Cambodian relations. However, this is the first time that the King has gone beyond mild criticism of the French.

SECTION 3 (WESTERN)

4. GERMANY. High Commissioners favor rebuke to Germans for recalcitrant attitude: The three Western High Commissioners in Germany are concerned over the manner in which Vice-Chancellor Bluecher, opposition leader Schumacher, and others are whipping up German public opinion against the fulfillment of German obligations to the European community. Commissioners are agreed that immediate consideration must be given to issuance of a high-level announcement to the effect that the establishment of a new relationship between the Allies and the Germans is not a foregone conclusion, but rather is dependent upon the manner in which Germany assumes and discharges its obligations. Unless the present trend is checked, US High Commissioner McCloy sees no possibility of concluding contractual arrangements to replace the occupation regime. [REDACTED]

Comment: The Germans have lately given vent to strong resentment of Allied decisions, particularly those rejecting a reduction of Germany's coal export quota and insisting on full payment of occupation costs. Bluecher threatened to resign as representative to the Ruhr Authority where he was defeated on the coal issue, and even the conservative press has been talking in terms of the "disastrous" Allied policies, the "high political tension" in Bonn, and the probability of an internal German political and economic crisis.

5. FRANCE. Foreign Office takes pessimistic view of Far Eastern situation: In recent talks with French Foreign Office officials, US Embassy representatives have discovered "little optimism" with regard to the Kaesong armistice negotiations and much "desperate casting around" for a solution in Indochina. While

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the French attitude toward recognition of the Chinese Communist regime and its admission into UN has not changed, considerable political pressure is building up for negotiations looking to a settlement of all Far Eastern questions in the event of a successful outcome of the Kaesong talks. Foreign Office officials, however, view these talks as part of the Soviet peace offensive and expect them to be broken off once the USSR has achieved maximum propaganda advantage.

The Foreign Office is particularly gloomy about the situation in Indochina, "where France continues to pour out men and money" with no end in sight. There is some feeling that the US position on Formosa blocks the possibility of a general political settlement in the Far East and that the French Government has nothing to offer the Chinese Communists in return for a guarantee against intervention in Indochina. [REDACTED]

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Comment: The weakness of the new French Government, resentment of the inflexibility of US policies aimed at containing the USSR, and fear of worsening economic conditions resulting from increasing inflationary pressures form a background for the pessimism of the Foreign Office on Far Eastern matters.

6. DENMARK. Political leaders fear popular resentment at ECA estimate of economic potential for defense: The US Embassy and ECA mission report that the leaders of both the government and the principal opposition party (Social Democrat) fear the consequences of making public in Denmark an ECA estimate of Denmark's economic potential for defense expenditures. They fear that the Danish press will treat the estimate sensationally and inevitably distort it. This would arouse public feeling, embarrass the government and further strain US-Danish relations, which have recently been damaged by the Kem amendment and the restriction on the US importation of cheese. The Embassy and the ECA mission concur in this view and urge special precautions to prevent any leak of figures during presentation to the US Congress. [REDACTED]

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Comment: The ECA estimate-- \$167 million for the fiscal year 1951 -- represents the US calculation of the value of economic resources which the Danes could manage to divert to military efforts on the basis of the estimated Danish gross national product and the amount of American aid contemplated. The present Danish military budget, which many Danes regard as already onerous, authorizes an expenditure equal to only \$93 million. Responsible Danish leaders fear that the disclosure of such an American estimate for Danish military expenditures will stimulate the belief that the US is unwarrantedly interfering in Denmark's domestic affairs and making "outrageous demands" as to imply that the country is becoming a mere US satellite.

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7. UNITED KINGDOM. British opposed to extending UN General Assembly's security role: The US representative on the UN Collective Measures Committee sees a basic British disagreement with US policy of extending the General Assembly's responsibilities for security, under the "uniting for peace" resolution of last fall.

The UK representative has stated that his government never liked the resolution, and was pushed into it only by US insistence. (The resolution calls for the prior commitment of national military contingents to the UN for use in emergencies.) Great Britain objects, he said, to the fundamental American concept that the UN should have at its disposal the means for maintaining peace pending conclusion of agreements between member countries and the Security Council under Article 43 of the Charter. He expressed the view that so long as the Security Council is unable to function, no further efforts should be made to make the UN act as a collective security agency.

The US representative comments that the underlying UK objection is the belief that the General Assembly, which has added responsibility under the resolution, is an irresponsible body.

Comment: Basically, this divergence grows out of the British reluctance to accept US policies which to them seem predicated upon the finality of the split between the Soviet Union and the West. The UK continues to look upon the UN as valuable in the long run more as a forum for settling disputes than as a device for taking collective action, especially when the great powers are in disagreement. Skepticism on the capability of the General Assembly to reach sound decisions has been reinforced particularly by the bloc voting of Latin American members on such questions as the disposition of the former Italian colonies, and by occasional rough treatment of the British on colonial questions.

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